

Message Text

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70

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 H-03 L-03 PA-04 PRS-01 USIA-15 DRC-01 /164 W

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R 021625Z OCT 74

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC 8664

INFO AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L PORT AU PRINCE 1946

E.O. 11652: GDS

TAGS: EFIN, EAID, HA

SUBJ: PL-480 TITLE I PROGRAM

REFS: (A) PAUP 0876; (B) PAUP 1493; (C) PAUP 1885

1. AS OUTLINED IN REFTELS, PL-480 TITLE I AGREEMENT CAN PLAY A KEY ROLE IN HAITIAN DEVELOPMENT EFFORTS BY PROVIDING ESSENTIAL LOCAL CURRENCY FOR PRIORITY DEVELOPMENT ACTIVITIES. FROM DEVELOPMENTAL POINT OF VIEW, IT IS IMPORTANT HAVE EARLY APPROVAL PROPOSED PROGRAM. IN ADDITION, IF USG IS TO OBTAIN MAXIMUM ADVANTAGE FROM A PL-480 TITLE I AGREEMENT WITH GOH, ACTION SHOULD BE TAKEN TO INITIATE NEGOTIATIONS--OR AT LEAST TO RESPOND POSITIVELY TO GOH REQUEST--AS SOON AS POSSIBLE. A PROMPT RESPONSE WILL PROVIDE SOME SUPPORT FOR DETERIORATING HAITIAN FOREIGN EXCHANGE POSITION (SEE PARA 2) AND, AS WELL, PROVIDE EVIDENCE OF US RESPONSIVENESS TO HAITIAN NEEDS WHICH SHOULD BE USEFUL IN ACHIEVING OTHER US ECONOMIC GOALS IN HAITI.

2. HAITIAN FOREIGN EXCHANGE IS DETERIORATING RAPIDLY. AS OF MID-SEPTEMBER, NET FOREIGN EXCHANGE POSITION OF NATIONAL BANK HAD DROPPED TO APPROXIMATELY US \$9 MILLION. HAITI HAS ALREADY DRAWN FIRST TRANCHES OF IMF STANDBY AND OF SPECIAL OIL FUND.

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GOH HAS NOT INITIATED FOREIGN EXCHANGE CONTROLS, WHICH WOULD BE

DIFFICULT TO ADMINISTER, BOTH BECAUSE DOLLARS ARE USED INTER-CHANGEABLY THROUGHOUT THE ECONOMY AND BECAUSE ADMINISTRATIVE TALENT FOR IMPLEMENTATION OF CONTROLS IS SCARCE. HOWEVER, IT HAS UNDERTAKEN ADMINISTRATIVE ACTIONS TO DISCOURAGE OUTFLOW OF CAPITAL. FOR EXAMPLE, INTEREST RATES HAVE BEEN INCREASED (REF C) AND ANNOUNCEMENT OF NEW TAXES ON IMPORTS OF LUXURY GOODS IS EXPECTED MOMENTARILY. NONETHELESS, NET POSITION IS EXPECTED TO DECLINE UNTIL FEBRUARY WHEN LEVEL MAY REACH \$5 MILLION (IMF REP RECONFIRMED THIS FORECAST TO EMBOFF ON OCT 1ST). A FURTHER DECLINE MAY START IN APRIL 1975. UNDER THE CIRCUMSTANCES THE MORE RAPIDLY AN AGREEMENT CAN BE NEGOTIATED THE BETTER.

3. IF AN AGREEMENT CANNOT BE NEGOTIATED WITHIN NEXT MONTH, EMBASSY HOPES THAT AS A MINIMUM WE WILL BE ABLE TO ANNOUNCE WITHIN NEXT FEW WEEKS US WILLINGNESS TO NEGOTIATE SUCH AN AGREEMENT AND APPROXIMATE DOLLAR AMOUNT. EMBASFRGNCNSIDERS THIS ABILITY TO SHOW RESPONSIVENESS TO HAITIAN NEEDS SHOULD IMPROVE GENERAL ATMOSPHERE HERE AND HAVE POSITIVE EFFECT ON NEGOTIATIONS IN NOVEMBER WITH REYNOLDS ON NEW TAXES ON BAUXITE CONCESSION. EMBASSY BELIEVES IT IS WORTHWHILE TO MAKE A SPECIAL EFFORT TO IMPROVE GENERAL ATMOSPHERE FOR NEGOTIATIONS ON THIS IMPORTANT RAW MATERIAL.
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